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FOR INFORMATION

REVIEW OF EXPENDITURES IN EXCESS OF COMMITMENTS AND UNSPENT COMMITMENTS FOR COMPLETED PROJECTS FINANCED BY SUPPLEMENTARY FUNDS

SUMMARY

The present report summarizes the outstanding balances of expenditures in excess of commitments and the unspent balances of commitments for completed supplementary-funded projects as at 31 December 1992.

INTRODUCTION

1. As a result of the expanded audit of the 1986 accounts, the 1988 Executive Board established the procedures to be followed in disposing of outstanding balances of overspent and unspent commitments for completed projects.

2. Regarding expenditures in excess of commitments, the 1988 Executive Board, in its decision 1988/11 H (E/ICEF/1988/13), established, inter alia, the following:

> "The financial implementation of supplementary-funded programmes should remain within the funded amounts. However, during the implementation, because of exchange rate fluctuations or other price increases that are out of UNICEF control, the resource needs may exceed those of the original project budget. In such cases, the donor(s) will be approached for additional support. If the additional support is not forthcoming, the project will be phased out and any overexpenditures will be allocated from general resources. The secretariat will report all such cases to the Executive Board specifying the amount in United States dollars, the assisted country to which it relates, and the explanation of the overexpenditures".

3. In addition, in its decision 1988/11 I (E/ICEF/1988/13), the 1988 Executive Board established the following procedure for commitments in excess of expenditures:

> "When it is determined that a project is completed with savings, and where appropriate, the donor will be approached for possible reprogramming. If the donor does not agree, the balance of commitments will be cancelled and returned to the donor".

I. DISPOSITION OF OVERSPENT BALANCES FOR COMPLETED PROJECTS

4. In accordance with the policy of the Executive Board as noted in paragraph 2 above, the secretariat reported overspent balances of $2,020,699 for the year ended 31 December 1991 to the Executive Board at its 1992 session (E/ICEF/1992/AB/L.11). The accounts pertaining to those balances were reviewed by the secretariat and field offices in 1992, and the necessary accounting adjustments to the accounts were made. The resulting adjustments against general resources in 1991 amounted to $516,479. Details can be found in annex I.

5. The 1991 overexpenditures were caused by a combination of the following factors: (a) price increases in the supply components of the programme assistance; (b) higher than anticipated/estimated freight charges; (c) charges to the current year allotment for unexpected expenditures that have been deemed necessary by the prevailing circumstances; (d) difficulties on the part of the field offices to monitor accurately and control charges for expenditures incurred by other offices on their behalf; (e) revaluation of currencies; and (f) difficulties in staffing for the field offices due to the political situation in the country.

6. The present report also summarizes the preliminary balances of overspent commitments relating to completed projects as of 31 December 1992 totalling $1,326,379. (See annex II for details.) Those accounts will be reviewed in 1993 and the necessary action taken in accordance with the policy as stated in paragraph 2 above. The amount of actual 1992 overexpenditures will then be reported to the Executive Board in 1993.

7. Total supplementary funds expenditures in 1990 and 1991 were $264,887,214 and $273,247,690, respectively. Actual overexpenditures in supplementary-funded projects for those two years were $5,014,017 for 1990 and $516,479 for 1991 and represented 1.90 and 0.19 per cent, respectively, of the total supplementary funds expenditures for each year. For 1992, the amount of $1,326,379, which is still subject to further review in 1993, is 0.38 per cent of the total supplementary funds expenditures of $353,928,299.

II. UNSPENT COMMITMENTS FOR COMPLETED PROJECTS

8. The secretariat also reviewed the unspent balances in completed projects as of 31 December 1992 and consistently applied the procedure on unutilized funds of small amounts that was reported to the Executive Board in its 1990 session. For 1992, individual contributions for completed projects with unspent balances of $300 and below were used to fund general resources expenditures as of 31 December 1992. This amounted to $4,913. Details can be found in annex III. Comparative amounts for 1990 and 1991 were $3,834 and $32,918, respectively.

Annex I

1991 OVEREXPENDITURES CHARGED TO GENERAL RESOURCES IN 1992

(In United States dollars)

Region/country	Amount
AFRICA	
Angola	56,811.91
Chad	27,148.88
Gabon	17,045.17
Guinea	92,911.03
Liberia	11,621.91
Malawi	12,676.36
Mauritania	23,321.63
Niger	14,923.44
Nigeria	34,698.31
Sierra Leone	38,517.69
Total, Africa	329,676.33
AMERICAS AND THE CARIBBEAN	
Belize	5,436.68
Costa Rica	3,784.63
Total, Americas and the Caribbean	9,221.31
ASIA	
India	47,437.73
Total, Asia	47,437.73
MIDDLE EAST AND NORTH AFRICA	
Lebanon	53,143.27
Sudan	54,176.57
Turkey	22,824.22
Total, Middle East and North Africa	130,144.06
Grand total	516,479.43

Annex II

SUMMARY OF OVEREXPENDITURES RELATED TO COMPLETED PROJECTS AS OF 31 DECEMBER 1992

(ACTION TO BE TAKEN IN 1993)

(In United States dollars)

Region/country	Amount
AFRICA	
Angola	126,729.17
Comoros	1,049.84
Congo	36,178.40
Côte d'Ivoire	31,178.52
Ethiopia	17,172.32
Lesotho	7,994.92
Liberia	10,508.30
Madagascar	2,181.31
Mauritania	821.14
Mozambique	6,167.29
Namibia	50,658.62
Nigeria	22,840.55
Senegal	5,178.86
Somalia	198,338.45
Togo	2,711.40
Uganda	78,634.04
Zaire	10,368.31
Zambia	15,994.20
Total, Africa	624,705.64
AMERICAS AND THE CARIBBEAN	
Belize	698.62
Central America and Panama	3,848.75
Honduras	6,681.14
Panama	5,684.51
Peru	5,541.35
Total, Americas and the Caribbean	22,454.37

Annex II (continued)

Region/country	Amount
ASIA	
Bangladesh	57,536.62
Cambodia	10,678.43
India	201,714.01
Lao People's Democratic Republic	45,639.07
Myanmar	30,388.23
Pakistan	24,517.90
Total, Asia	370,474.26
EUROPE	
Romania	25,066.06
Former Yugoslavia	66,308.51
Total, Europe	91,374.57
MIDDLE EAST AND NORTH AFRICA	
Egypt	14,784.69
Iraq	55,364.54
Jordan	11,749.44
Lebanon	435.99
Sudan	13,627.72
Sudan (Operation Lifeline Sudan)	24,365.87
Turkey	41,643.77
West Bank and Gaza	15,560.25
Yemen	8,141.52
Total, Middle East and North Africa	185,673.79
INTERREGIONAL	
Mortality Reduction Reserve	31,696.46
Total, Interregional	31,696.46
Grand total	1,326,379.09

Annex III

SUMMARY OF 1992 UNSPENT BALANCES IN COMPLETED PROJECTS USED TO COVER GENERAL RESOURCES EXPENDITURES AS AT 31 DECEMBER 1992

(In United States dollars)

Region/country	Amount
AFRICA	
Angola	206.97
Burkina Faso	564.16
Burundi	36.65
Cameroon	216.93
Cape Verde	0.05
Central African Republic	271.54
Chad	0.56
Côte d'Ivoire	0.08
Ethiopia	25.74
Lesotho	210.22
Madagascar	26.49
Mali	18.42
Mozambique	98.56
Nigeria	285.64
Somalia	123.62
Zimbabwe	0.52
Total, Africa	2,086.15
AMERICAS AND THE CARIBBEAN	
Brazil	322.53
Ecuador	164.04
Guatemala	35.36
Haiti	113.64
Mexico	1.22
Nicaragua	229.23
Peru	99.82
Total, Americas and the Caribbean	965.84

Annex III (continued)

Region/country	Amount
ASIA	
Bangladesh	87.34
China	36.47
India	233.91
Indonesia	0.01
Nepal	88.99
Pacific Island countries	161.06
Pakistan	162.45
Viet Nam	182.52
Total, Asia	952.75
MIDDLE EAST AND NORTH AFRICA	
Iraq	199.51
Jordan	2.33
Lebanon	279.60
Sudan	0.25
Sudan (Operation Lifeline Sudan)	27.42
Turkey	0.18
West Bank and Gaza	66.2
Yemen	304.33
Total, Middle East and North Africa	879.82
INTERREGIONAL	
Global Reserve for Iodine Deficiency Disorders	29.18
Total, Interregional	29.18
Grand total	4,913.74

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FOR ACTION

RESERVE FOR PROCUREMENT SERVICES

SUMMARY

The present report summarizes UNICEF procurement services activity from 1986 to 1992. The Executive Director recommends that the Executive Board approve the reserve for procurement services at $2 million. The reserve will be funded solely from retention of surplus balances from the activity. Amounts in excess of the approved level are credited to general resources.

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BACKGROUND

1. Regulation 5.1 of the UNICEF Financial Regulations and Rules provides that special accounts may be established by the Executive Board or by the Executive Director for special purposes consistent with the policies, aims and activities of UNICEF.

2. Procurement service (previously referred to as reimbursable procurement) is a form of assistance offered by UNICEF to cooperating Governments, United Nations agencies and non-governmental organizations for the procurement of supplies and equipment on a special account basis.

3. This activity is meant to be self-sustaining, and contributions from donors intended for the programmes assisted by UNICEF are not to be used to defray the expenses incurred from this undertaking. A handling fee, computed as a percentage of the cost of the supplies, is charged against each procurement request. The rates used are determined by the nature of the items requested. To ensure the self-sustaining nature of the activity, the rates are reviewed periodically to ascertain their adequacy.

4. Since 1985, it has been the practice, when possible, to retain from the surplus achieved on the account amounts required to maintain a reserve considered necessary to absorb possible future shortfalls. The level of the reserve was initially set at $300,000 in 1985. It was increased to $700,000 in 1986 and to $1 million in 1988. These increases were financed solely from surplus balances on the account, and all amounts in excess thereof were credited to general resources.

5. In 1989 and 1990, the relevant staff and other costs exceeded the charges imposed by UNICEF on those availing of the service to meet such costs. These shortfalls, in the amounts of $168,700 for 1989 and $646,400 for 1990, were covered by the $1 million balance in the reserve at the beginning of 1989. However, this reduced the balance of the reserve to $184,900 as of the end of 1990. In 1991, another shortfall was experienced in the amount of $655,700. In view of the low balance in the reserve, and as an interim measure, the Executive Director authorized the use of the interest income in the amount of $1,325,700 to cover that year's shortfall.

6. During the final audit of the UNICEF accounts for the 1990-1991 biennium, the United Nations Board of Auditors recommended that Executive Board approval be obtained for this reserve.

7. In case of a decline in the level of activity on procurement services which has not been anticipated, the related handling charges would similarly be reduced. However, there are staff costs that cannot be automatically and immediately eliminated. In this situation, the reserve will be used to cover the costs until the necessary staffing adjustments are made.

8. The annex shows the statistics on the level of activity for procurement services from 1986 to 1992, the amounts recovered to cover direct costs and the amount of expenditures from 1986 to 1992. For the same period, the annex also shows the amounts of surpluses or deficits on the account, the amounts retained

in the reserve and those transferred to general resources. Lastly, the annex presents the year-end balances in the reserve for the seven-year period.

RECOMMENDATION

9. The Executive Director recommends that the Executive Board approve the level of the reserve for procurement services at $2 million.

Annex

COMPARATIVE STATISTICS ON PROCUREMENT SERVICES

1986 – 1992

(In thousands of United States dollars)

Year	Volume of transactions	Amounts recovered	Staff and other costs	Surplus (deficit)	To reserve	To general resources	Balance of reserve
1986	46,324	1,045	627	418	400	18	700
1987	48,433	1,724	1,295	429	–	429	700
1988	49,154	2,093	1,681	411	300	111	1,000
1989	44,408	1,873	2,042	(168)	(168)	–	831
1990	49,271	2,078	2,725	(646)	(646)	–	184
1991	48,881	1,961	2,617	(655)	(655) a/	–	854 a/
1992	51,654	3,899	2,770	1,128	1,128	–	1,983

a/ The Executive Director authorized the use of the 1991 interest income in the amount of $1,325,700 to cover the 1990–1991 shortfalls. At its 1991 session, the Executive Board decided that in the future such interest income should be credited to general resources.